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INFO ALL US CONSULATES IN MEXICO COLLECTIVE

UNCLAS SECTION 01 OF 03 MEXICO 000046

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [PGOV](#) [SOCI](#) [UNDP](#) [AID](#) [MX](#)

SUBJECT: MEXICO BROADENS AND MODERNIZES POVERTY INDICATORS

¶1. (U) Summary. Mexico has revised how it officially measures poverty, in collaboration with the UN Development Program (UNDP). The new set of indicators reduces Mexico's overall poverty rate from 47.4% to 44.2%, a change explained by the new measurements' focus on factors other than income. The indicators, prepared by Mexico's public but independent National Council for the Evaluation of Social Development Policy (CONEVAL), will permit a broader, multidimensional understanding of Mexican poverty. This improved understanding should help the government better target conditional cash transfer programs to the neediest recipients. Furthermore, the new indicators will help Mexico and the UNDP track Mexico's progress on Millennium Development Goal #1, the eradication of extreme poverty and hunger. Mexico is among the first countries to implement a multidimensional poverty measurement based on eight indicators. The change in indicators and results has sparked some vocal objections from scholars, but the GOM and international bodies are optimistic. End summary.

CONEVAL AND INEGI

¶2. (U) CONEVAL was founded in May 2006 under the Fox Administration, as provided for in the Social Development Law enacted on January 20, 2004. CONEVAL is an independent public organization under the coordination of the Secretariat of Social Development, and its role is to study and measure the impact of Mexico's social development programs. Laboff contact at CONEVAL stressed the importance of directing scarce resources towards progressive rather than regressive programs and suggested that CONEVAL's research and reports have begun to inform policymakers' decisions. Thanks to the participation of six independent researchers on its board, who join through a transparent public invitation, CONEVAL has managed to stay independent in spite of depending on an executive secretariat for its budget. CONEVAL gets its data from the Households Income and Expenditures Survey (ENIGH), conducted every two years and every five years for municipalities, by the National Institute on Statistics and Geography Information (INEGI). For the new poverty measurements, CONEVAL, in coordination with INEGI, conducted a new survey on socio-economic conditions within the ENIGH. The UNDP performed the same tests on the data presented and achieved the same results as CONEVAL, lending credibility to the process.

NEW DATA AND RESULTS

¶3. (U) Mexico's Social Development Law requires the Secretariat of Social Development to implement a multidimensional system to measure poverty, and this new framework responds to that requirement. Previously Mexico measured poverty at three levels, all related to income: 1) food-based poverty, 2) capabilities-based poverty, and 3) asset-based poverty. Those poverty measurements were based purely on income: a person needed to earn 64 (urban) or 40.10 (rural) pesos per day to live above the poverty line. The new poverty measurements are based on eight indicators, which allows

analysts to see not only numbers and percentages reflecting Mexicans' living standards, but also the number and the nature of the shortages they face. CONEVAL determined that lacking three of the eight basic needs puts a person in extreme poverty. The eight indicators include seven income-related and one social cohesion related factors. They are:

- Income
- Access to health care
- Access to social security programs
- Quality and space in housing
- Basic services in the home
- Access to sufficient food
- School drop-out rates
- Degree of social cohesion

¶4. Some scholars and civil society leaders criticize Mexico's

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new measurements for "erasing" 3.6 million poor people by changing definitions of what Mexicans need in order to survive. While an expanded list of indicators would normally suggest a larger population, Mexico's numbers have actually gone down from 47.4% to 44.2%, making several leaders nervous about the statistics, the real situation of Mexican poverty, and the social policy ramifications of the news. Others, however, applaud Mexico for implementing a very advanced poverty measurement system: Mexico is among the first countries in the world to adopt a multidimensional poverty measurement framework. The UNDP will help measure Mexico's progress on the Millennium Development Goals, and eradication of extreme poverty is the first goal.

DATA

¶5. (U) Under the new measurements, on average, Mexico's poor lack 2.7 of the eight basic needs described by the indicators listed above. CONEVAL considers extreme poverty the lack of three or more basic needs. Over 82 million Mexicans (77.2%) experience at least one form poverty, and 47 million Mexicans (44.2%) experience some form of multidimensional poverty (lacking two or more of the eight basic needs). Of the 47 million Mexicans who lack two or more basic needs, 36 million people (33.7% of the entire population) experience moderate poverty, lacking on average 2.3 of the eight basic needs identified by the new indicators. The other 11.2 million people (10.5% of the entire population) live in extreme poverty, lacking an average of 3.9 basic needs.

The following are 2008's lack of basic needs broken down by the first six indicators:

- Lack access to basic health services: 40.7% (43.9 million people)
- Lack access to social security programs: 64.7% (68.9 million people)
- Have insufficient quality of and space in home: 17.5% (18.62 million)

- Lack basic services in the home: 18.9% (18.9 million people)
- Lack sufficient access to food: 21.6% (23.06 million people)
- School drop-out rates: 21.7% (23.2 million people)

¶6. Degree of social cohesion is measured by four factors: 1) economic inequality, 2) social polarization, 3) social networks, and 4) income equality. Mexico's Gini coefficient (World Bank data), currently 48.1, has floated between 46 and 53 since the early 1990s and shows a "high concentration" of wealth.

¶7. (U) CONEVAL has also ranked Mexican states based on their percentage of poverty and the average number of basic needs that are not met.

Poorest states:

- Chiapas, 76.7% in poverty, average lack of basic needs is 3.1
- Guerrero, 68.1%, average lack is 3.4
- Puebla, 64%, average lack is 3.0
- Oaxaca, 62%, average lack is 3.5

Richest states:

- Baja California Sur, 21.1%, average lack is 2.3
- Nuevo Leon, 21.5%, average lack is 2.3
- Baja California Norte, 26.3%, average lack is 2.2
- Sonora, 26.7%, average lack is 2.4

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SHINING THE LIGHT, BUT ON WHAT?

¶8. (U) Comment. The newly released indicators signal the urgency of poverty alleviation and redistributive policies. They also suggest that many moderately poor Mexicans are closer to extreme poverty (lacking three of the eight basic needs) than they are to economic security. CONEVAL's mandate is to show the GOM how successful its social development programs are in meeting its stated goals. This year, the GOM acknowledged that some of its programs were not achieving the expected results, and those programs are expected to be eliminated or redesigned. The GOM's star program, Oportunidades, appears to accomplish its mission to help the rural poor, and may be expanded to urban areas, probably with significant changes. If the new measurements prove robust and more clearly define the situation, the GOM may choose to rethink its existing cash transfer programs, including Oportunidades, and incorporate them more effectively into a holistic social, economic, and political framework. The GOM has thus far not found the formula for job creation and greater economic growth, elements that are vital to alleviating poverty in a more sustainable way. End comment.

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